



## **EHFG 2011: HOW TO BALANCE THE BOOKS – PAY BY RESULTS?**

*Swedish health finance expert Prof Bengt Jönsson told today's EHFG workshop on the economic challenges of treating chronic illness that the economic crisis had worsened an already dire situation. There was already less and less money available to finance medical advances. So how about performance-based agreements (P4P) - payment by results?*

**Bad Hofgastein, October 6, 2011** – Health finance expert Prof Dr Bengt Jönsson of Stockholm School of Economics told the European Health Forum Gastein (EHFG) today that greater longevity was placing a huge burden on health budgets. Chronic diseases, in particular cancer and brain disease were on the increase, putting health budgets under greater strain, and throughout Europe the economic crisis had made the overall situation even worse.

Nor was there any prospect, especially in the public sector, of more funds becoming available, not even long-term. “However, medicine will progress and so will public expectations of better medical treatment,” said Prof Jönsson. “We must use what resources we have more efficiently. Chronically ill people depend on their treatment being reimbursed, and on public healthcare systems which allocate funds appropriately to both existing and new drug therapies.”

### **Wasting money “a major new pitfall” of medical innovations**

Drug costs were a particular focus of attention whenever better use of health budgets was discussed, he said. “If we take the example of oncology drugs – and this is similar in other therapeutic areas – they account for a minor part, 10 – 20%, of total health expenditure, but are an easily-identified target for cutting costs.” And scarce resources and limited budgets were two of the main impediments to the use and uptake of new drugs.

New ways had to be found for deciding on whether or not new medications should be covered by the public purse or health insurance. There had to be a balance between how scarce resources were spent and patients benefiting from medical innovations. “Wasting money is a major new pitfall”, said Prof Jönsson. “New targeted treatments are high-cost per patient, so applying them incorrectly has high opportunity costs.”

Prof Jönsson sees a new trend in healthcare funding, shifting from input to output: “We are tending to move away from budgets and fee-for-service towards capitation and disease management. Pay-per-pill or device is not consistent with criteria for cost-effectiveness; we should be looking at alternatives.”

One of these was performance-based agreements (P4P), suggested Prof Jönsson. “Reimbursement then depends on observable health outcome.” That substantially changed the distribution of risk between those doing the manufacturing and those doing the paying; industry would have to take on part of the responsibility for efficiency in the health system.

A possible problem of such new business models was that the authorities and insurers who were paying the costs and industry would have to share data on treatments and outcomes. This was sensitive, not only in the area of oncology medication, the main area of current performance-based agreements. For instance, in Italy 16 out of every 18 such agreements

related to cancer treatments. Most such agreements use response to treatment as the basic criterion for evaluating performance.

### **Industry's investment in research "needs to be rewarded"**

Prof Jönsson warned of another possible unintended consequence – a fundamental one – if pay-by-results took hold in health spending, namely differential pricing in high- and low-income countries.

Industry was carrying a fairly substantial part of the risks and responsibilities because of its big investments in research and development of new drugs, stressed at the EHFG Jane Griffiths, Company Group Chairman of Janssen Europe. "Healthcare innovations over the last 20 years have greatly improved life expectancy. Industry and governments have a shared responsibility to continue to deliver new treatments that improve the lives of patients. Industry's job is to invest in and develop new medicines and I hope that governments in turn will reward research and innovations and help ensure access to them."

The EHFG is the most important conference on health care policy in the EU. This year it attracted more than 600 decision-makers from 45 countries for discussions on the latest developments in health care policy.

*EHFG Workshop 4: "The rise in chronic diseases: the health economic challenges." 5 October 2011*

#### **EHFG Press Office:**

Dr. Birgit Kofler

B&K Medien- und Kommunikationsberatung

Ph. during the Congress: +43 6432 3393 239

Mobile: +43 676 636 89 30

Ph. Vienna office: +43 1 319 43 78

e-mail: [kofler@bkkommunikation.com](mailto:kofler@bkkommunikation.com)